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# **Report of Agricultural Trade Missions**

*to  
the Secretary of Agriculture*

*on*

**Foreign Trade  
of the  
United States  
in  
Agricultural  
Products**

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abroad, for the valuable information provided by and the frank discussions with governmental officials of the countries we visited, and for the constructive and valuable assistance rendered by foreign businessmen, industrial leaders, trade groups, and farmers in each country called upon.

The opportunity of being of service to you in the study of such an important problem as that of foreign trade in agricultural products is appreciated.

Respectfully,

*J. B. Thurman*  
*Harry Reed*  
*Wm Rhea Blake*  
*Norman L. Brinkley*

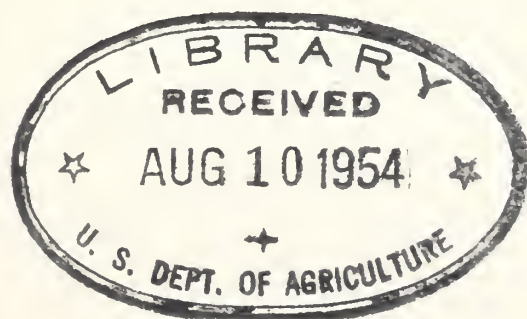
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## **Preface**

In his message to Congress, January 11, 1954, on "Recommendations Affecting the Nation's Agriculture," the President stated:

It is not enough, however, to rely solely on these measures [foreign economic assistance and disaster relief] to move surpluses into consumption. No farm program should overlook continued economic growth and expansion. By revolutionary increases in farm productivity during and since World War II, American farmers have prepared our Nation to supply an even greater proportion of the food needs of the world. Developing commercial markets for this expanded production is part of the larger problem of organizing a freer system of trade and payments throughout the world. Because our farmers depend to a considerable degree on foreign markets their interests will be particularly served by strengthening the work of the Department of Agriculture in developing market outlets both at home and abroad. In my budget message I shall recommend that sufficient funds be appropriated for this purpose.

Meanwhile, a series of trade missions, working in cooperation with our representation overseas, will be sent from the United States, one to Europe, one to Asia, one to South America, to explore the immediate possibilities of expanding international trade in food and fiber.

Thereupon, the Secretary of Agriculture appointed 3 agricultural trade missions, consisting of 35 members broadly representative of the total export interests of American agriculture, to visit 35 countries relative to our export and import trade with those countries.

### **Functions of the Missions**

The objectives of the missions were to determine: (1) Under what conditions can foreign countries take a larger volume of our agricultural products, especially those of which we have surplus stocks, through normal commercial trade channels; (2) what are the nature and character of "roadblocks" to an expanded trade in United States farm products; (3) the need for and possibilities of market development and merchandising of United States agricultural commodities abroad; (4) what, if any, complaints do foreign importers have regarding the quality, grades, standards and packaging of our agricultural products; (5) how prices of our exportable farm products, as well as terms of sale, including credit, compare with those of competing countries; and (6) what possible difficulties and uncertainties, if any, confront foreign exporters to the United States market. Another objective was to help build mutual understanding

on trade matters between us and the many countries that are our traditional customers.

The President in his letter to the missions stated succinctly the purposes of the missions in these words:

April 10, 1954

*To the Agriculture Trade Missions:*

You are embarking on an important mission and have my unqualified support.

Your primary mission is to seek ways and means of increasing international trade under conditions that will favorably affect the prosperity of both the purchaser and seller. You will need, therefore, to do two things in the countries you will visit. First, find out what products of ours they could use and explore the possibilities of making them one of our customers for those products; second, determine what products of theirs would be useful to us and help develop plans by which this trade could be of maximum mutual benefit.

We, of course, have become a creditor nation and must adapt our trade to the requirements of that status. We cannot expect to have purchasers for our products except as we purchase theirs either in a bilateral or multilateral system of trade.

(S) DWIGHT D. EISENHOWER.

The Secretary of Agriculture emphasized that the ultimate success of the endeavors of the missions will depend upon the job done by private exporters who follow through and support the work of the missions in an effort to expand foreign sales.

### **Membership of the Missions**

The missions were made up of persons closely associated with United States agriculture and its trade problems. With few exceptions, they were not affiliated with the Federal Government. Designations were made with the advice and counsel of the Secretary's Advisory Committee on Foreign Trade and Technical Assistance, and in consultation with farm producer groups, agricultural trade groups, and national farm organizations. The mission members were:

*European Mission (Northern Group):*

Chairman: F. R. Wilcox, assistant general manager of Sunkist Growers, Los Angeles, Calif., and former director of the Department's Foreign Agricultural Service.

Executive Secretary: Horace G. Bolster, member of the Foreign Agricultural Service, USDA, and former United States agricultural attaché in the Netherlands and Iran.

Berry Akers, editor-in-chief, *The Farmer*, St. Paul, Minn.

J. B. Hutson, president of Tobacco Associates, Washington, D. C., and member of the USDA Advisory Committee on Foreign Trade and Technical Assistance.

James Klahre, general manager of the Apple Growers Association, Hood River, Oreg.



Chris Milius, president of the Nebraska Farmers Union, Omaha, Nebr., and member of the National Agricultural Advisory Commission.

Ben Namm, president of Namm-Loeser's Department Store, Inc., Brooklyn, N. Y.

George M. Strayer, executive secretary of the American Soybean Association, Hudson, Iowa.

*European Mission (Southern Group):*

Chairman: N. I. Nielsen, Federal-State statistician for agricultural estimates with the Agricultural Marketing Service, Portland, Oreg. and former United States agricultural attaché in Paris.

Executive Secretary: James O. Howard, member of the Foreign Agricultural Service, USDA, and former United States agricultural attaché in Portugal.

B. F. Beach, general manager, Michigan Producers Dairy Co., Adrian, Mich.

John Bird, associate editor of Country Gentleman magazine, Philadelphia, Pa.

W. Rhea Blake, executive vice president of the National Cotton Council, Memphis, Tenn.

Guy Josserand, wheat and livestock farmer, Dodge City, Kans.

James J. Love, tobacco and livestock farmer of Quincy, Fla.

Henry E. Miller, vice president of the Kirby Block Co., New York, N. Y.

W. R. Ogg, director of international affairs for the American Farm Bureau Federation, Washington, D. C.

Marvin A. Schaars, agricultural economist of the University of Wisconsin, Madison, Wis.

P. O. Wilson, secretary-manager of the National Livestock Producers Association, Chicago, Ill.

*Asiatic Mission:*

Chairman: Homer L. Brinkley, executive vice president of the National Council of Farmer Cooperatives, Washington, D. C., and United States representative to several international conferences on agriculture.

Executive Secretary: T. O. Engebretson, member of the Foreign Agricultural Service, USDA, with several years of experience for the United States Government in the Far East.

Gordon Boals, director of export programs for the Millers National Federation, Washington, D. C.

Earl E. Hanway, publisher of the Casper Tribune Herald, Casper, Wyo.

Fred A. Hobart, member, board of directors, American National Cattleman's Association, Pampa, Tex.

T. O. Kluge, manager of the California Prune and Apricot Growers Association, San Jose, Calif.

E. M. Norton, executive director of the National Milk Producers Association, Washington, D. C.

J. Stuart Russell, farm editor of the Des Moines Register and Tribune, Iowa, and member of the USDA Advisory Committee on Foreign Trade and Technical Assistance.

R. C. Travis, tobacco consultant of the Burley Tobacco Growers Cooperative Association, Lexington, Ky.

George Wilson, president of the California Farm Bureau, Clarksburg, Calif.

*Latin American Mission:*

Chairman: Dean Harry J. Reed, of Purdue University, Lafayette, Ind., and United States food representative to Pakistan in 1953.

Executive Secretary: Arthur G. Kevorkian, member of the Foreign Agricultural Service, USDA, with 17 years of experience for the United States Government in Cuba, Ecuador, and Nicaragua.

George Blair, executive secretary of the American Rice Growers Cooperative Association, St. Charles, La.

Robert R. Coker, president of Coker's Pedigreed Seed Co., Hartsville, S. C., and member of the USDA Cotton Advisory Committee.

George B. Pfeifer, general manager of the Northern Star Dairy, St. Paul, Minn.

Paul Sanders, editor of the Southern Planter magazine, Richmond, Va.

Joseph C. Scott, president of the Bankers Security Life Insurance Co., Oklahoma City, Okla.

A. B. Sparboe, chairman of the Export Advisory Committee of the Millers National Federation, Minneapolis, Minn.

Milo K. Swanton, executive secretary of the Wisconsin Council of Agricultural Cooperatives, Madison, Wis., and member of the National Agricultural Advisory Commission.

Alfred J. Tisch, partner in the James Mills Orchards Co., Hamilton, Calif.

Mr. F. R. Wilcox, chairman of the Northern European Mission, became ill during the visit to London and was unable to continue with the group. Mr. J. B. Hutson was designated to serve as chairman thereafter. Mr. N. I. Nielsen, chairman of the Southern European Mission, was unable, for business reasons, to participate in the writing of the general report following the return to Washington. Mr. W. Rhea Blake was asked to serve in his place.

## Countries Visited

The missions visited the following countries :

*European Mission (Northern Group)*

\*United Kingdom  
\*France  
Belgium  
Netherlands  
Denmark  
Norway  
Sweden  
Austria  
Switzerland  
\*Germany

*European Mission (Southern Group)*

\*United Kingdom  
\*France  
Portugal  
Spain  
Italy  
Egypt  
Turkey  
Greece  
\*Germany

*Asiatic Mission*

Pakistan  
India  
Burma  
Thailand  
Indonesia  
Singapore  
Philippines  
Hong Kong  
Japan

*Latin American Mission*

Mexico  
Panama  
Colombia  
Peru  
Chile  
Argentina  
Uruguay  
Brazil  
Venezuela  
Cuba

The missions left Washington, D. C., on April 10 and 11, 1954, and returned May 25 and 27, 1954. From 3 to 5 days of conferences generally were held in each country.

## Source of Information

Prior to departure the missions were briefed for several days in Washington, D. C., by officials and personnel of the Department of Agriculture, and by representatives of other agencies of our Government. At one of the sessions, agricultural attachés and other officials of the foreign nations to be visited and who were stationed in Washington met with the mission members.

Within a country, the missions usually spent the first day with our governmental representatives who provided excellent background material for future discussions with foreign governmental officials and businessmen. Information was provided by the United States ambassador, agricultural attaché, FOA representatives, economic counselor of the embassy, and other United States officers affiliated with the embassies. The second day and frequently the third day

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\*The Northern and Southern European groups visited these countries together.



generally were devoted to conferences with foreign government officials representing those departments or ministries dealing with the mission's interests. These officials normally included the ministers of agriculture, commerce, foreign affairs, finance, economics, and in some cases, councils of ministers. The third and fourth days were spent in conferences with the trade—manufacturers, processors, and distributors, private importers and exporters, trade associations, national and international chambers of commerce—as well as farm organizations, including cooperatives. During the stay in a country numerous meetings and discussions between individual mission members and representatives of government and business also were held.

The conferences were highlighted by frank and open discussions of problems of mutual interest and by free exchange of information. Foreign governments and business groups, as well as our own governmental representatives abroad, furnished the mission members with copies of statements especially prepared for the mission, with bulletins, documents, statistical data, and other material pertaining to the subjects discussed. The generous cooperation of all agencies and groups has greatly facilitated this study. The members of the missions hereby express their grateful appreciation for this assistance.

Following the meetings and conferences held in a country, the missions prepared a preliminary or field report on the country. The general report of the trade missions prepared jointly by the members following their return to Washington, and consisting of "General Impressions" and "Recommendations" to the Secretary of Agriculture, is presented on the following pages.

## **The Report**

### **General Impressions Regarding Trade in Agricultural Products With Countries Visited by the Trade Missions**

Foreign trade in agricultural products has been and still is very important to our nation. The prosperity of United States agriculture depends upon a high level of agricultural exports. In 1951, crops from approximately 52 million acres in the United States were exported; in 1953 from around 30 million acres. If foreign markets for our agricultural products are lost, acres now devoted to producing for export will in all likelihood be shifted to the production of other commodities or possibly be taken out of production. Any major shifting to other commodities presumably would result in overproduction of such commodities with disruption of prices and adverse effect upon the incomes of producers. It is apparent, therefore, that all of United States agriculture, and not only the producers of traditionally important export products, has a vital stake in maintaining a high level of United States agricultural exports.

Farmers of the United States are prepared to produce many products in great quantity. The entire national economy, as well as the agricultural economy, will suffer unless exports of such products are continued in large volume. Ten to twelve percent of our agricultural marketings during recent years consisted of products entering foreign trade channels. A reduction in this volume, unless offset by an increase in domestic demand, would, therefore, adversely affect both agricultural and nonagricultural interests in our country. We note even today that farmers, as a result of reduced foreign markets and reduced income, are buying less farm machinery and less consumer goods. This is cutting retail sales and employment in certain industries.

The welfare of United States agriculture, predicated in no small measure upon the ability to sell products abroad as well as at home, should be the concern of all Americans. Measures to maintain a healthy agriculture are definitely in the entire nation's interest. The problem even has international implications; leaders of many foreign countries are aware of the importance of the problem to their own welfare.



It may be trite to say that trade is a two-way street, but the significance of this basic fact is not fully appreciated in all quarters. The agricultural trade missions wish to emphasize that if United States farm products are to be exported, foreign countries must be able to export to us so as to earn the dollars with which to make payments. Fundamentally, nations cannot continue to export unless they are also willing and able to import. The many impediments to trade, particularly numerous and oppressive for farm products, have prevented or seriously curtailed trade in different products with many nations. This is not a new phenomenon, but the heights to which barriers have been erected in the post-World War II period and the new devices designed to lessen trade in farm products as well as to channel it in specific directions, have aggravated the problems considerably.

A basic problem facing the missions was to ascertain what are the opportunities for expanding foreign markets for United States agricultural products through private trade channels and what are the products of foreign countries that might be sold in the United States. The President, in his directive to the missions, stated the purposes in these words:

Your primary mission is to seek ways and means of increasing international trade under conditions that will favorably affect the prosperity of both the purchaser and seller. You will need, therefore, to do two things in the countries you will visit. First, find out what products of ours they could use and explore the possibilities of making them one of our customers for those products; second, determine what products of theirs would be useful to us and help develop plans by which this trade could be of maximum mutual benefit.

## **Impressions Concerning Agricultural Exports From the United States**

The following are some of the general impressions obtained regarding our foreign trade in agricultural products. Some of these are in the nature of "problem areas" which need to be considered and rectified if mutually profitable trading is to be developed.

### **Trend Toward Self-Sufficiency**

One of the serious threats to a continued high volume of United States farm exports is the almost universal striving of foreign nations toward the highest possible degree of self-sufficiency in food production, without regard in many cases to the economy of such production. This trend is influenced by the shortage of dollar exchange. Also it grows out of the fear of war and recent memories of disrupted supply lines, rationing, and starvation in some countries. It has strong political backing. Protection of domestic producers from competition abroad and numerous aids including subsidies, fixed prices and price supports have encouraged this program. It will continue to hinder the most efficient economic development of nations pursuing this policy and, unless changed, will limit the market potential for United States farm products.

### **Increased Agricultural Production**

Ordinarily, agriculture is the first of the industries to recover its production after a disruption caused by a war. Agricultural production abroad has been increased materially since the end of World War II. Frequently, the increases have been in commodities traditionally imported. Agricultural production in the world as a whole is estimated to be at 115 percent of the prewar level. World population also stood at around 115 percent in 1953. Nearly all areas of the world had a part in this upward trend of agricultural production, but in some the increases have been substantially greater than in others. In North America, the 1953 agricultural production averaged 150 percent of prewar; in Latin America, 130 percent; in the Middle East, led by Turkey, considerably greater than prewar; in Western Europe, well above prewar; and in Eastern Europe, U. S. S. R., and in the Far East, it approached prewar levels.

This increase in agricultural production is changing the trade pattern in agricultural products and is adversely affecting the demand for United States agricultural products. In some cases erstwhile importers have become exporters in competition with United States products in world markets.

### **Per Capita Production Low**

Despite increases in agricultural production resulting from higher acre yields or more area cultivated, the production on a per capita basis is still low in most countries. This is true likewise for much industrial production. From a long time point of view, increases in foreign trade in all types of products depend in large measure on greater per capita production. Such increases on a per capita basis are the foundation for larger individual purchasing power, for increased savings and capital formation, and for placing products in world markets on a competitive price basis. Limitations on purchasing power which grow out of limited general productivity adversely affect both the volume and the price of agricultural and industrial products which can be sold in world markets.

### **Bilateral Trading**

One of the major handicaps to United States exports is the system of bilateral trading which now is widely utilized as a trading policy by many countries. Bilateral trade agreements need not necessarily fix the pattern of trade of the countries using them for the indefinite future as shown by the fact that shifts have taken place among different supplier countries as well as in the pattern of trade in individual commodities. Nevertheless, they do give all indication of limiting the opportunity for United States sales in the immediate years ahead. Moreover, they tend to create vested interests hostile to a return to multilateral nondiscriminatory and fully competitive trade.

Intra-European trading is fostered by the OEEC (Organization for European Economic Cooperation) as a means of reconstructing the economies and of conserving dollar exchange of the 18 member nations and their dependent overseas territories. This development appears to have contributed to a new trading pattern between the countries involved. Many of them regard the United States as a residual source of supply, to be tapped only when other sources cannot be found. Trade within the E. P. U. (European Payments Union) area and with nondollar areas has expanded in recent years. This may increase further the difficulties of United States trade becoming reestablished on an equal competitive basis in such foreign markets. Thus, liberalization by these countries of their trade with the dollar area is the most important prerequisite for the entry into



their markets of United States products on an equal and competitive basis.

## **Dollar Shortage**

A shortage of dollar exchange still confronts many countries. We found a number of such countries very conscious of the fact that they cannot safely continue to have imports greatly in excess of exports, nor can they continue to have a large dollar gap. Many of these countries are adopting strong import restrictions to meet the problem. Adequate consumer supplies are important in maintaining political stability within a country. Some countries find it difficult to reduce imports to the level of their present exports and at the same time have food and clothing enough to meet the needs of their people. The problem must be met, but we feel the whole free world will best be served by each of these countries seeking aggressively to balance their trade primarily through increased production and larger exports, rather than primarily through reduced imports.

It is true that a marked improvement has taken place in the gold and dollar assets of the free world, which at present are about 50 percent larger than in 1949. Nevertheless, extreme caution in the use of dollars for imports and for investment is found everywhere. In many countries these gold and dollar holdings, some of them built up only in the last 2 years, still constitute a smaller ratio to total dollar imports than in prewar years and, therefore, are conserved as much as possible. The objective of dollar-short countries is to keep in check their imports from the dollar area until exports and invisible trade items can create larger dollar balances. Many of the controls instituted for balance-of-payments reasons also have considerable protectionist effect.

## **Selective Use of Dollars**

Immediately after World War II exports of United States farm products were made on a large scale to war-damaged countries. To a considerable part they were financed by our extensive aid program. As the countries emerged from a relief period to one of reconstruction, as the amount of United States economic aid was decreased, and as greater dependence upon each country's capacity to produce and trade became necessary, purchases of United States farm products generally were reduced in favor of purchases of farm products from nondollar areas and to save dollars for imports of United States non-agricultural products. In many countries imports of highly essential agricultural products are the only kinds of agricultural imports for which dollar exchange is permitted. Such selective as well as restrictive use of dollar exchange places United States farm products in a difficult position in world markets.

## **Inconvertibility of Currencies**

Inconvertibility denies the people of many countries maximum advantages from their foreign commerce. In some countries there is still lack of confidence in the national currency. This has tended to encourage private hoarding of gold, extreme caution in lending money except at very high interest rates, inflation of prices, black market operations, and restrictive bilateral rather than multilateral trading. To enjoy the full benefits from always being free to sell in the highest market and to buy in the lowest, full scale convertibility surely is a goal to be earnestly sought. A desire to achieve this goal and an improvement in the stability of the currencies in a number of countries with inconvertible currencies were noted.

## **State Trading**

In addition to the numerous handicaps to the free flow of international trade in agricultural products, such as import licenses, import quotas, exchange controls, inconvertible currencies, tariffs, bilateral trade agreements and various kinds of subsidies, state trading has become a widely used device for rigidly controlling trade. Many governments since the war have taken over from private traders the function of importing and exporting certain major farm products, or have vested in certain traders exclusive trading privileges to carry out the government's program. These state monopolies are used as means of carrying out programs of government aid to agricultural producers, of controlling consumption, and of providing public revenue.

## **Protectionist Policy of Farmers**

Farmers in general in the countries visited strongly support a protectionist policy for their agriculture. For political reasons and others, governments in almost every one of the countries have taken cognizance of the wishes of the farmers and have refrained from relaxing import restrictions on a wide range of products which would compete with domestically produced farm commodities. Agriculture is the dominant industry in most countries outside of Northern Europe, and consequently the trade-restrictive measures to a very considerable extent pertain to agricultural products. There is a definite tendency also to develop restrictive trade measures to protect other industries as they develop.

## **Fear Dumping of United States Surpluses**

Fear is prevalent in a number of countries that the United States may dump its surplus agricultural products into world markets. Merchants and processors of agricultural products are fearful of the loss



they would sustain on inventory stocks should dumping take place. Farmers producing the same kinds of products of which the United States holds surpluses also fear that a dumping policy on our part would lower their prices. Such uncertainty slows up trading and is one of the important reasons for less than normal trading stocks being held in importing countries.

### **Sales Under Section 550 Program**

Considerable apprehension exists in a number of exporting countries as to the possible adverse effects on their own trade of sales of United States surplus agricultural products for foreign currencies under the section 550 (Mutual Security Act) program. Despite the limiting conditions under which such sales have been negotiated, there was much concern in some countries that such sales would disrupt traditional markets of friendly nations.

On the other hand, a number of importing countries faced with a dollar shortage and with a need for agricultural products on our surplus list indicated much interest in the possibilities of importing these products under a section 550 type program. The hope was expressed, however, that some of the difficulties experienced with the existing program may be cleared up in the future legislative and administrative developments.

### **United States Export Prices**

United States agricultural export prices of a number of products at present are higher, or in recent years have been higher, than those of competing countries. On a price basis, United States exporters have had difficulty in selling on the world market such major United States products as wheat, dairy products, meats and lard, and, until recently, cotton. A factor in this situation is the United States farm price support policy, which has resulted in pricing some United States farm products out of the world market and in "holding an umbrella" over foreign producers and exporters. It was noted in a number of countries, however, that prices paid to farmers under their price support programs were higher than those paid to United States farmers for comparable products. In some cases foreign countries subsidize export sales to such an extent that their offering prices to importing countries are less than those of United States exporters who receive no subsidy or a smaller subsidy.

### **Quality, Grades, and Standards**

Many United States farm commodities have established good reputations abroad for quality and uniformity of pack, particularly those bearing brand names. However, complaints about the quality, grades,

deliveries, and packaging of certain United States agricultural products were expressed to the trade missions. Lack of confidence in the United States system of grades and grading certificates was evident among some importers of some commodities. This demands attention because it definitely is placing such agricultural commodities, especially those sold on a bulk basis, at a competitive disadvantage where this feeling is prevalent. Some of this reaction may be due to a failure on the part of some importers to purchase on the basis of Federal grades and to require Federal grade certificates and certificated weights.

In many cases exporters of United States agricultural products in the form of consumer goods are not adequately meeting the packaging and labeling demands of the export trade.

### **Immediate Export Outlook**

If present policies and practices in the United States and in foreign countries are continued, the prospects of appreciably increasing the volume of our agricultural exports in the immediate future are not favorable. However, a great deal can be done to bring about improvements in this situation. The suggestions of the missions in this connection are contained in the recommendations included in this report.

### **Long Range Export Outlook**

There are a number of encouraging factors which are creating a more favorable climate for an increase of our agricultural exports as time goes on. Certainly, no timetable of possible trade recovery can be given.

In the years immediately following the close of the war, up to 60 percent of our high level of agricultural exports were financed with American aid. As the economic aid was diminished and foreign countries had to rely increasingly upon their own capacities to improve their internal economies and external relationships, tight controls upon imports from dollar area countries were maintained or instituted. Purchases of needed farm products often were diverted to the countries which agreed to buy the products of the importing country. This has been accomplished by means of bilateral trade and payments agreements and by severe restrictions on purchases from the United States. Some European countries are now relaxing controls on a selective basis. The progressive recovery in the internal economy, dollar position, and trade and payments balances is not as great in some countries, however, as it is for most countries in Western and Northern Europe.

Among the encouraging factors that promise to give a better climate for trade and again permit United States agricultural exports to compete in foreign markets are the following:



(1) Marked improvement in gold and dollar reserves of many foreign nations. (Taken as a whole, foreign countries had in April 1954 about \$8 billion more in gold and dollar resources than they had at the end of 1949.)

(2) Liberalization (removal of restrictions) on trading in some agricultural products with dollar areas.

(3) Recent resolution of the Council of Ministers of the OEEC to remove as soon as possible restrictions imposed by member countries on imports from the dollar area. OEEC countries are substantially liberalizing trade with one another, in some cases on over 90 percent of their imports. This may well be the prelude to similar action toward the dollar area.

(4) Budgets now more nearly balanced in many countries than in recent years.

(5) Improvement in the soundness of currencies in number of countries.

(6) Progress toward the free convertibility of currencies in important trading countries.

(7) Elimination of rationing of consumer goods.

(8) Improvement in many countries in the climate for investment of foreign and domestic capital.

(9) Steps taken in many countries to return trading in agricultural products to private traders.

(10) Movement toward greater industrialization and diversification, particularly in countries which had little industrial development prior to World War II.

(11) Substantial economic progress, industrial recovery, and greatly expanded foreign trade of many countries.

(12) Increase in the population of the world and the steadily growing desire for a higher plane of living.

(13) Positive measures and more aggressive action taken by our Government and by private industry to accelerate trade in farm products.

There are, of course, exceptions to the general progress which countries have made in recent years, but it is our belief that the conditions for reestablishment of trade on a broad multilateral trade and payments basis in the hands of private traders are the best they have been in the postwar period. Although these improvements give no assurance that greater trade in agricultural products will follow, they do provide the climate in which the opportunities for sale are improved.

## **Impressions Concerning General Imports Into the United States**

Imports by the United States help to create the general purchasing power or dollar exchange needed by foreign countries with which to purchase our products. Although the United States has led the world in an effort to reduce tariffs, a policy of enlightened self-interest dictates that a periodic review of our tariff level and structure be made in order that mutually beneficial exchange of goods with other countries may be maximized. Other countries should not, however, expect us to remove restrictions on imports from them as long as they pursue a restrictionist policy in regard to United States exports.

Our inquiries into the possible difficulties which foreign traders have experienced in exporting to the United States have led to certain general impressions. First of all, it is apparent that there is a sizeable potential in the countries we visited for increased exports to the United States. Secondly, we clearly found that tariffs are not the only impediments to foreign exports to our country. Actually, the uncertainties involved in exporting to the United States and the finances, techniques, and sales know-how required of foreign sellers to properly develop markets here impose greater difficulties in many instances than the applicable tariff rates.

The obstacles and uncertainties that are believed by foreign exporters to be roadblocks to exporting to our shores and which were brought most frequently to the attention of the missions include:

1. Tariffs in general, which despite their very substantial lowering since 1934, for some products are considered inordinately high.
2. The complexity of our tariff classification structure, which has resulted in a volume of litigation, extended delays, and confusion.
3. Customs procedures, including the bases used for evaluation of products which sometimes vary as to time and place of determination and thus create considerable uncertainty.
4. The existence and application of "Buy American" legislation, in some cases resulting in low bidders from abroad losing business to higher United States bidders.
5. The "escape clause" in our trade agreements legislation, which creates fears that once exports should reach a volume sufficient to provide appreciable competition for United States producers, new barriers might be imposed.

6. The instability of our trade agreements legislation, which is renewed periodically, usually for short periods after considerable legislative struggle.

7. Quotas on imports, which have been established or might be set up under the provisions of section 22 of the Agricultural Adjustment Act of 1933 as amended.

8. Uncertainties as to whether shipments might qualify for entry under Food and Drug Administration standards and regulations.

9. Problems which any seller, domestic or foreign, faces in developing a market in the United States for his product. These include adequate financing, capacity to produce the volume requested by United States importers, proper distribution outlets, sales promotion, market research, product adaptation to consumer preferences, and other measures necessary to develop and expand sales in the United States markets.

Elimination of the uncertainties about trading in the United States market and solution of the practical problems confronting foreign exporters, possibly in close cooperation with United States firms and distributors, would be major steps toward the establishment of useful trade into and out of the United States.



# **Recommendations**

## **I. Foreign Economic Policy of the United States**

In his message to Congress on March 30, 1954, on "Foreign Economic Policy of the United States," the President stated:

The national interest in the field of foreign economic policy is clear. It is to obtain, in a manner that is consistent with our national security and profitable and equitable for all, the highest possible level of trade and the most efficient use of capital and resources.

We agree with this statement and our recommendations relative to foreign trade in agricultural products are predicated upon such a viewpoint. We recognize that the interests of the entire Nation greatly overshadow those of any of its segments and that we must harmonize conflicting interests in terms of what is best for the country as a whole.

The interchange of goods and services is vital to our Government's efforts to maintain peace and is essential to the economic recovery and well-being of friendly nations, as well as to our own well-being. Such interchange on a multilateral basis by private traders with free convertibility of currencies is highly desirable. The fact that these conditions do not exist in most countries of the world has played a major role in the reduction of the exports of United States farm products.

Our country, working in cooperation with other friendly nations, should do everything in its power to remove unjustifiable and discriminatory impediments to trade and oppose any tendencies toward economic isolation. More than unilateral action by the United States is needed, however, if the greatest volume of goods and services is to cross national borders. Cooperation between the nations of the world is essential.

## **II. Measures To Be Considered by the United States Government and Business**

### **A. Actions Directly Facilitating United States Agricultural Exports**

#### **1. Convertibility of currencies**

We consider restoration of currency convertibility a matter of very great importance. We believe that the primary responsibility for taking effective measures toward this end rests upon the foreign countries concerned; and we are happy to note that a number of countries have taken important steps in this direction.

We recommend that the United States Government support the use of the resources of the International Monetary Fund for

standby credits to countries that are effectively restoring convertibility. We also recommend that favorable consideration be given, where needed, to supplementary standby credits from the Federal Reserve System. We further recommend that our Government seek commitments from foreign countries to permit access of United States products into their markets on a basis of equality with exports of other countries.

## **2. Competitive pricing**

It is basically important to recognize that in order to sell our products in export markets, we must offer them for sale at competitive prices and on competitive terms. We must also realize what is required to meet both the present short-range situation and the long-range situation.

For the short range, it must be recognized that we have laws which establish price supports for some commodities at levels higher than the prices of competing commodities in export markets are at the present time or are likely to be in the immediate future.

**If we are to be competitive pricewise in export markets, under these conditions, it will be necessary to resort to some type of governmental export pricing program.**

It is common practice for many governments to carry out similar types of programs. Under such circumstances, it is unrealistic for us to expect to maintain a fair share of export markets unless we are prepared to compete.

We deplore having to use this type of device. Such programs are generally termed export subsidies and have become associated in the minds of people throughout the world as a dumping procedure. We wish to emphasize, however, that we do not favor using such export pricing programs as a dumping device to usurp the normal markets of friendly countries.

**Such devices should be used only as a last resort on a selective basis, commodity by commodity. They should be used only when it is necessary to maintain a fair relative position for United States exports of such commodity in foreign markets under present conditions and where there is a reasonable chance that such devices will be effective in accomplishing this objective.**

For the long range, it must be recognized that reliance upon any such artificial and costly devices cannot possibly be considered as a satisfactory solution.

**The long-time solution to our surplus problem will not be found in the use of such export subsidy programs but in the adjustment of our agricultural pricing and production programs in such a way that supplies will be brought into balance with the effective domestic and foreign demand. Our long run objective should be to expand domestic and foreign markets by reducing**



costs, improving quality, and intensifying sales efforts so as to make possible the full and efficient use of our agricultural resources with minimum reliance upon governmental aids.

### **3. Sales of agricultural products for foreign currencies**

We recommend that appropriate legislation be enacted at an early date permitting the sale for foreign currencies of agricultural commodities that are in surplus or might otherwise become surplus.

In face of the continued exchange restrictions on imports from the dollar area and in the absence of convertibility of many currencies, it is important that the United States continue a program whereby its surplus agricultural commodities may be sold and exported through private trade channels, with payment to be received in local currencies for that portion in excess of normal United States dollar exports and of normal imports of countries of the free world.

We recognize that there are limitations on such a program's effectiveness in moving large volumes of our surpluses abroad. As a temporary expedient pending the achievement of general convertibility of currencies, its application is desirable. Care will need to be exercised in its execution to avoid disrupting the markets of friendly countries.

### **4. Export credit**

Important in consummating export sales of agricultural products is the credit which the exporter can grant to the importer. We have found that in numerous cases far more liberal credit terms have been granted by exporters in other countries than those which United States exporters could provide through financial arrangements with private banks.

We, therefore, recommend that where commercial credit is not available or not adequate, the Government use its facilities, such as the Export-Import Bank, to assist in providing credit or credit insurance in the sale of agricultural products abroad.

### **5. Export sales and promotion**

The task of expanding our foreign markets for United States farm products is one requiring the greatest possible combined efforts of all interested United States governmental agencies and private industry.

We recommend that the Foreign Agricultural Service continue to call upon farm organizations and trade groups to assist in market analysis studies, conduct commodity sales promotional campaigns, and do the followup service work necessary to the acquisition and retention of expanding markets for agricultural goods.

Similarly, we recommend to private industry groups that the services of personnel experienced and trained in the field of for-

eign trade be offered to the Foreign Agricultural Service in an advisory capacity whenever requested, and that increasing responsibility for the functions necessary to expand markets for our United States agricultural commodities be assumed by private industry.

## **6. Other measures**

We recommend:

a. The exchange of our surplus farm commodities, which often are perishable and usually involve high storage costs, for strategic materials from abroad which are imperishable and can be cheaply stored.

b. Maximum utilization of agricultural commodities in foreign aid programs.

c. Firm policies of maximum use of private trade in foreign sales, including Government-owned surpluses.

d. Sales policies on Government-owned surpluses more nearly in line with common trading practices.

e. Aggressive merchandising programs including, where feasible, carrying stocks abroad.

f. More effective quality improvement and quality controls.

g. More extensive research on market development and consumer preferences in foreign countries.

h. Effective centralization of governmental responsibility and authority, where applicable, with respect to implementing the foregoing recommendations.

## **B. Actions Indirectly Facilitating Agricultural Exports**

### **1. Removal of uncertainties**

#### **a. Customs administration.**

We recommend that legislation be enacted and administrative regulations be formulated to:

(1) Simplify commodity definitions, classifications, and rate structure.

(2) Improve methods of determining the valuation of imports.

(3) Establish more efficient procedures for customs administration.

The adoption of these provisions would materially reduce the uncertainties, delays, and frustrations now experienced by foreign sellers and United States importers. It would be a major step toward expanding trade.

#### **b. Antidumping action.**

We recommend that the antidumping law and administrative procedures be so amended as to assure speedy and efficient disposal of antidumping cases and to prevent in the



future undue prolonged interference with trade while an antidumping investigation is in progress.

**c. Reciprocal Trade Agreements Act.**

We recommend the extension of the Reciprocal Trade Agreements Act for not less than a 3-year period.

**d. "Escape Clause."**

Methods should be considered for eliminating the uncertainties surrounding the application of the "escape clause" in our trade agreements. For example, it should be provided that, once a decision was rendered that no serious injury had occurred or was threatened, the case could not be reopened for a reasonable period of time.

**e. Section 22 of Agricultural Adjustment Act of 1933, as amended.**

When the price support on a given commodity results in the United States price for that commodity being appreciably higher than the world price, imports of that commodity to the United States are naturally attracted. If such imports are permitted to increase greatly, our domestic agricultural program will be adversely affected. Section 22 is designed to meet this situation by the imposition of import fees or quotas.

Foreign countries have complained that they are handicapped by the uncertainty as to when and to what extent section 22 may be invoked.

To remove this uncertainty, we recommend that a definite policy be developed and announced. This policy should provide that, in those instances where increased imports are likely to injure an agricultural program or operation, section 22 should be applied so as to prevent such injury while, at the same time, allowing foreign exporting countries to maintain a reasonable share of the United States market.

**f. "Buy American" legislation.**

We recommend that "Buy American" legislation should be changed to exempt the nationals of other countries that promise reciprocal treatment to our bidders.

**2. Administration of Food, Drug, and Cosmetics Act**

On numerous occasions foreign exporters have had shipments of food products to the United States rejected because they did not meet the standards of our Food and Drug Administration. Adequate dissemination of information on the specific requirements in our markets concerning food standards might have prevented such occurrences.

We recommend that the United States Food and Drug Administration be authorized to make available representatives to furnish advisory services to processors, manufacturers, and exporters concerning United States Food and Drug Standards, when



**foreign governments request it and when the expense is paid by the industries to be served or by the foreign governments.**

Such representatives could not, of course, give any promises, assurances, or guarantees that products inspected abroad would meet American Food and Drug Standards when arriving on our shores. The service would be strictly advisory in character aimed at informing foreign exporters as to the high standards required of all sellers, foreign and domestic, in our markets.

We would disapprove any measure designed to relax our standards on foods and drugs. The long-range interests of the people of the United States in maintaining the highest standards of sanitation and control greatly overshadow other considerations.

### **3. United States investment abroad**

A large flow of United States investment abroad could materially aid in expanding international trade. It would not only be of major value in expanding business in the country where invested, but could also help to maintain expanded business activity here. Movement of dollars out of this country for capital purposes during the investment period would correct the balance of payments more rapidly than trade in merchandise and would measurably exceed the dollars returned to this country as returns on investment during this period. Such exports of capital would help close the dollar gap and build up dollar exchange. The market for capital goods produced in this country would accelerate business in this field and reflect itself in the whole economy.

**Therefore, we recommend that our Government seek the cooperation of foreign governments to the end that appropriate action be taken in foreign countries conducive to investments by outside investors and that the United States Government take proper steps to stimulate United States private investments abroad.**

Such legislation has been passed recently in some countries and others might well consider doing so in view of the benefits that accrue therefrom.

### **4. General Agreement on Tariffs and Trade**

**We recommend the renegotiation of the organizational provisions of the General Agreement on Tariffs and Trade (GATT) so that the functions of this organization are properly defined. We further recommend that the substantive provisions of GATT be renegotiated as may be needed to provide for equality of obligations among signatory countries.**

We suggest that friendly nations which are not now parties to the agreement be requested to become so in order that the substantive provisions of the agreement may have wider application.

## **5. Tariffs**

We have come to the conclusion that tariff reductions and improvement in customs procedure in the United States alone will not suffice to obtain balance in our commercial transactions with foreign countries. We recommend, however, that tariffs on noncompetitive products such as handicraft goods not extensively produced in our country and on commodities of which almost the total United States consumption is imported be sharply reduced or eliminated.

With respect to other tariff schedules, we recommend their careful reexamination and selective revision, but only in exchange for equivalent concessions in tariffs and trade controls by other countries.

## **6. Industry consultation in trade negotiations**

We recommend that agriculture and industry representatives be available for advice and consultation in connection with international trade negotiations.

# **III. Measures Requiring Cooperation by Foreign Governments and Business**

## **A. Governmental Measures**

We urge that the appropriate agencies of our Government intensify their efforts to reach understanding with foreign governments for action along the following lines:

1. Elimination of bilateral trade and payments agreements which channelize trade by governmental controls.

2. Reduction of quantitative restrictions on imports and elimination of discrimination against products from dollar areas as rapidly as improvements in gold and dollar reserves permit.

3. Cooperation with the United States and other nations in the progressive reduction of trade barriers to the end that multilateral trading by private traders may be attained.

4. Improvement in fiscal and monetary policies to check inflation, decrease private hoarding of gold, increase productivity, and restore confidence in the currencies in order to attain as quickly as possible currency convertibility and stability.

5. Encouragement of foreign investments in productive enterprises by removal of requirements for local ownership, by providing for repatriation of profits and capital by foreign investors, and by elimination of undue interference with management.

6. Elimination of multiple exchange rates which discourage imports of certain products or products from certain areas, or act as hidden taxes or subsidies on imports or exports.



## **B. Sales Problems of Exporters to the United States**

To sell in the United States market requires systematic action including:

1. Special techniques and skills adapted to the particular requirements of United States consumers.
2. More extensive use of merchandising methods adapted to the United States market.
3. Comprehensive studies of the structure and requirements of our market and of such problems as product adaptation to United States demand, United States consumer preferences, and competitive situations.
4. Effective distribution programs.

Cooperation toward these ends between foreign exporters and United States importers, distributors, and agricultural groups would be highly desirable.

## **IV. General**

### **A. Technical Assistance and Economic Aid Programs**

Sound development of underdeveloped areas can make a very important contribution, in the long run, to an expanded and better balanced trade, if directed primarily toward the economic development of basic resources of these areas. Such areas should seek to achieve a better balanced economy, to increase productivity and the purchasing power of the people, and to increase foreign exchange earnings through expanded exports.

While the United States foreign aid programs have been a factor in bolstering the postwar economies of many countries and the technical assistance programs have enabled the people of many nations to increase their production and improve their living standards, we suggest that it is time to take another look at these programs in the light of world conditions as they exist today.

Thus we recommend that an impartial survey be made of these programs. In this survey, among other matters, the following should be examined:

1. Do they contribute toward a policy of sound development, both agriculturally and industrially, in the countries where they are carried on?
2. Are they suited to the economic potential of the countries?
3. Do they contribute to the development of the production of commodities of which increased production is needed in the world?
4. Do they contribute to the development of increased consumer purchasing power within the respective countries?
5. To what extent can technical assistance in the marketing of their own products and in the exchange of goods with other nations contribute to a sound economy and the development of healthy trade?

## **B. Foreign Agricultural Service**

**We recommend that action to strengthen the Foreign Agricultural Service (FAS) be accelerated.**

This is deemed advisable in view of the increasingly important services which the Foreign Agricultural Service is called upon to perform as the problems of agricultural exports have become more critical.

The Foreign Agricultural Service has important responsibilities in such fields as advising the Secretary of Agriculture on policy matters, in conducting market research studies in the international field, in providing information and other services for United States agricultural export industries, in assisting in the formulation and administration of action programs pertaining to the foreign sales of agricultural commodities, and in directing the work of agricultural attachés. In addition, the Foreign Agricultural Service has the responsibility of collecting and interpreting data on all international trading in agricultural products. It has the duty of analyzing all agricultural programs and other measures taken by foreign countries with respect to production and trade in farm products, of evaluating such programs from the standpoint of their impact upon United States agriculture and trade, and of making recommendations to the Secretary of Agriculture and other governmental agencies concerning them.

**All efforts should be made to recruit personnel of the highest character, caliber, and training for this work. The sole criterion in such recruitment should be capability of the personnel to do the job.**

## **C. Agricultural Attachés**

**We recommend that agricultural attachés be placed under the direct supervision of the Secretary of Agriculture as to their technical work and that they be made part of the United States Department of Agriculture.** They should, however, function as an integral part of the working team of the United States ambassador in the countries where stationed. They should work more directly with problems of agricultural trade than they are doing at present, and they should devote more attention to the economics of marketing and trade opportunities. They should be brought back to the United States periodically for a tour of duty. Foreign Agricultural Service personnel stationed in this country also should serve terms of duty abroad so as to maximize their opportunities for service. Where there is no agricultural attaché present in a country, a competent person should be assigned to perform at least the more urgent duties of the position until it can be filled.





